

EXHIBIT 11  
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HB 641

## TESTIMONY

Doug Hardy

Montana Electric Cooperatives' Association

HB 641

BEFORE HOUSE FEDERAL ENERGY & TELECOMMUNICATIONS COMMITTEE

March 23rd, 2009

I am Doug Hardy testifying on behalf of the Montana Electric Cooperatives Association, MECA. Our Cooperatives meet the electrical needs of around 400,000 Montanans.

MECA rises in opposition to HB 641 as introduced or amended via the gray bill. Our opposition is both philosophical and economic fairness.

The philosophical opposition is two - fold, who should pay and mandates in general – This legislative mandate is a solution in search of a problem that does not exist as it relates to the coop section, legislation that can be pushed for expansion every subsequent legislative session.

Whether Individuals, ratepayers or taxpayers should pay would properly be answered by who gains.

The argument that the verifiable purchase of efficiency can be funded more economically than additional resources is only valid if the utility sees the resulting savings. The circumstance of each utility varies in this regard.

If the utility does not save due to the purchase of efficiency then ratepayers could see increased rates with no offsetting savings. In this case, the "who pays" it should be the individual or government who is responsible for efficiency. An example is the successful increase of minimum appliance efficiency standards.

We would not ask the owner of a gas station to charge more per gallon to a person with an efficient car who made good efficiency decisions just because the station was mandated to pay for upgrades of a gas hog that fueled up in the morning. Yet ironically in some cases mandated utility efficiency purchases can be similar. I built a super efficient house in the 80s meeting or exceeding all efficiency codes, if my utility increases my costs to pay for upgrading an inefficient house built under the same codes, codes which government adopted but did not enforce, or worse to pay for more highly insulated covers on hot tubs and lap pools or high efficiency motors for a multinational oil company, I end up being economically punished for another consumers poor efficiency decisions. If however there is a savings to me of my utility purchasing efficiency it could be in my interest. The answer to this question will vary utility by utility making broad mandates ill advised from an efficient consumer's perspective. In other words let's reward, not penalize good behavior.

Consistency among those covered is mentioned in the bill but there is a cooperative difference, a huge difference. Cooperatives are locally owned not for profit and self governing. Because Coop owners and consumers are one in the same, cooperatives are different. When assessing energy efficiency and conservation programs, locally elected boards of trustees, a coop's governing regulating body, is properly positioned to make the best most cost effective decisions on behalf of their members. As you will hear from a representative of Flathead Electric, it did not take a state mandate for them to act. Mandates on top of the cooperative model merely add layers of bureaucracy, ultimately paid for by rate payers and in this case to a degree, taxpayers. Yes we oppose mandates as they can usurp good decisions and pancake costs rather than keeping rates affordable for ratepayers who are already struggling to make ends meet. An elected member of the Flathead Board is here to answer any questions you may have.

Although Flathead is a large coop as compared to other Montana Coops they are small when compared to some coops in the nation, yet regardless of size, the cooperative model of governance has served consumers well, as proven with the coop position that avoided pitfalls of Montana's restructuring in 1997 where the cooperative difference was recognized and given priority over consistency among utilities

In summary, we are demonstrating it does not take mandates for coops to make good efficiency decisions, we are acting. Please do not subject Cooperatives to the added bureaucracy and resulting expense that HB 641 as proposed would layer on the rates of those already struggling to pay their electric bills.